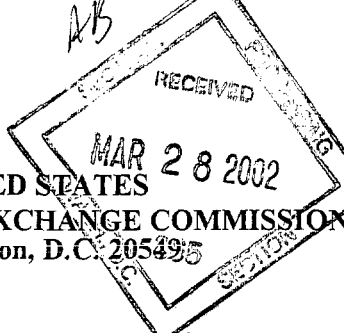




02019510

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Uf 4-2-02

## OMB APPROVAL

OMB Number: 3235-0123  
Expires: September 30, 1998  
Estimated average burden hours  
per response 12.00ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER

8-35997

## FACING PAGE

Information Required of Brokers and Dealer Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING January 1, 2001 AND ENDING December 31, 2001  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Yankee Financial Group, Inc.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

150 Broadhollow Road, Suite 121

(No. and Street)

Melville

(City)

New York

(State)

11747

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Richard F. Kresge

(631) 424-6900

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Actis-Grande, Ronan &amp; Company, LLC

(Name - if individual, state last, first, middle name)

30 Main Street, Suite 500

(Address)

Danbury

(City)

Connecticut

(State)

06810-3047

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

PROCESSED

APR 05 2002

THOMSON  
FINANCIAL

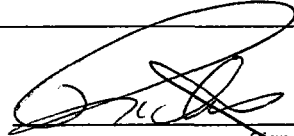
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

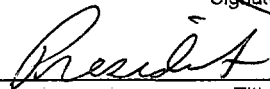
Uf 4-402

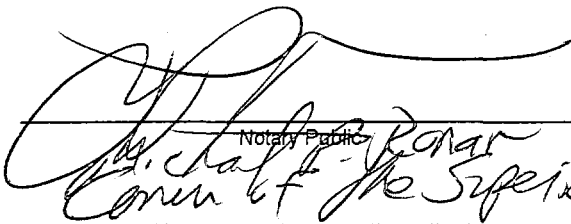
## AN OATH OR AFFIRMATION

I, Richard F. Kresge, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Yankee Financial Group, Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
Signature

  
Title

  
Notary Public  
Comm. of the Superior Court

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition
- ☒ (c) Statement of Operations.
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).

## INDEPENDENT AUDITOR'S REPORT

---

To the Directors and Shareholders:  
Yankee Financial Group, Inc.

We have audited the accompanying statement of financial condition of Yankee Financial Group, Inc. as of December 31, 2001 and the related statements of operations, changes in shareholders' equity and accumulated deficit, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yankee Financial Group, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supporting schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Actis-Grande, Ronan & Company, LLC*

March 25, 2002

**YANKEE FINANCIAL GROUP, INC.**  
**Statement of Financial Condition**  
**December 31, 2001**

---

**ASSETS:**

|  |                              |
|--|------------------------------|
| Cash and cash equivalents                | \$ 220,196                   |
| Commissions receivable                   | 38,331                       |
| Cash deposits with clearing organization | 188,066                      |
| Securities owned                         | 121,268                      |
| Security deposits and other assets       | <u>3,363</u>                 |
| <br>Total assets                         | <br><u><u>\$ 571,224</u></u> |

**LIABILITIES AND SHAREHOLDERS' EQUITY:**

|   |                              |
|---|------------------------------|
| Accounts payable and accrued expenses   | \$ 119,435                   |
| Accrued interest on subordinated shareholder note   | 19,527                       |
| Commissions payable   | 108,559                      |
| Accrued settlement with former officer  | 162,500                      |
| Cash advances from shareholder  | 30,500                       |
| Shareholder note payable  | <u>3,959</u>                 |
| <br>Total   | <br>444,480                  |
| <br>Subordinated shareholder note payable   | <br>30,236                   |
| <br>Common stock, no par value; authorized, 5,000 shares; issued<br>and outstanding, 105 shares | <br>133,444                  |
| Additional paid-in capital  | 608,228                      |
| Accumulated deficit   | <u>(645,164)</u>             |
| <br>Total shareholders' equity  | <br><u>96,508</u>            |
| <br>Total liabilities and shareholders' equity  | <br><u><u>\$ 571,224</u></u> |

*The accompanying notes are an integral part of the financial statements.*

**YANKEE FINANCIAL GROUP, INC.**  
**Statement of Operations**  
**for the year ended December 31, 2001**

---

**Revenues:**

|                           |                  |
|---------------------------|------------------|
| Commissions               | \$ 1,712,758     |
| Interest and other income | <u>4,019</u>     |
| Total revenues            | <u>1,716,777</u> |

**Expenses:**

|                                |                            |
|--------------------------------|----------------------------|
| Operating expenses             | 1,606,722                  |
| Settlement with former officer | 162,500                    |
| Interest                       | <u>3,628</u>               |
| Total operating expenses       | <u>1,772,850</u>           |
| Loss from operations           | (56,073)                   |
| Investment losses, net         | <u>(82,352)</u>            |
| Net loss                       | <u><u>\$ (138,425)</u></u> |

*The accompanying notes are an integral part of the financial statements.*

**YANKEE FINANCIAL GROUP, INC.**  
**Statement of Changes in Shareholders' Equity**  
**and Accumulated Deficit**  
**for the year ended December 31, 2001**

---

|                                  | <u>Common Stock</u> |                   | <u>Additional</u> | <u>Accumulated</u>  |
|----------------------------------|---------------------|-------------------|-------------------|---------------------|
|                                  | <u>Shares</u>       | <u>Amount</u>     | <u>Paid-in</u>    | <u>Deficit</u>      |
|                                  |                     |                   | <u>Capital</u>    |                     |
| Balance, December 31, 2000       | 105                 | \$ 133,444        | \$ 477,679        | \$ (506,739)        |
| Additional capital contributions |                     |                   | 130,549           |                     |
| Net loss                         |                     |                   |                   | (138,425)           |
| Balance, December 31, 2001       | <u>105</u>          | <u>\$ 133,444</u> | <u>\$ 608,228</u> | <u>\$ (645,164)</u> |

*The accompanying notes are an integral part of the financial statements.*

**YANKEE FINANCIAL GROUP, INC.**  
**Statement of Changes in Subordinated Liabilities**  
**for the year ended December 31, 2001**

---

|   |                         |
|---|-------------------------|
| Subordinated liabilities, beginning of period     | \$ 30,236               |
| Issuance of subordinated shareholder note payable | <u>-</u>                |
| Subordinated liabilities, end of period           | <u><u>\$ 30,236</u></u> |

*The accompanying notes are an integral part of the financial statements.*

**YANKEE FINANCIAL GROUP, INC.**  
**Statement of Cash Flows**  
**Representing Increases (Decreases) in Cash**  
**for the year ended December 31, 2001**

---

**OPERATING ACTIVITIES:**

|   |              |
|---|--------------|
| Net loss  | \$ (138,425) |
| Adjustments to reconcile net income to net cash used in by<br>operating activities: |              |
| Depreciation  | 163          |
| Net investment gains  | 82,352       |
| Changes in operating assets and liabilities:  |              |
| Commissions receivable  | (12,040)     |
| Cash deposits with clearing organization  | (134,560)    |
| Accounts payable and accrued expenses   | 106,964      |
| Accrued interest on subordinated shareholder note                                   | 3,672        |
| Commissions payable   | 80,110       |
| Accrued settlement with former officer  | 162,500      |
|   | <hr/>        |
| Net cash provided by operating activities   | 150,736      |

**INVESTING ACTIVITIES:**

|                                       |          |
|---------------------------------------|----------|
| Purchase of securities                | (76,549) |
| Cash proceeds from sale of securities | 1,500    |
| Security deposits and other assets    | (1,025)  |
|                                       | <hr/>    |
| Net cash used in investing activities | (76,074) |

**FINANCING ACTIVITIES**

|  |                          |
|--|--------------------------|
| Cash advance from shareholder                | 20,000                   |
| Additional capital contributions             | 130,549                  |
|  | <hr/>                    |
| Net cash provided by financing activities    | 150,549                  |
|  | <hr/>                    |
| Net increase in cash and cash equivalents    | 225,211                  |
|  | <hr/>                    |
| Cash and cash equivalents, beginning of year | (5,015)                  |
|  | <hr/>                    |
| Cash and cash equivalents, end of year       | <u><u>\$ 220,196</u></u> |

*The accompanying notes are an integral part of the financial statements.*



**YANKEE FINANCIAL GROUP, INC.**  
**Notes to Financial Statements**

---

1. **Nature of Business**

Yankee Financial Group, Inc. (the "Company") is a broker-dealer whose operations are limited to those of an introducing broker.

2. **Summary of Significant Accounting Policies**

*Revenue Recognition*

Commission revenues and expenses relating to customer transactions are recorded on a settlement date basis.

*Marketable Securities*

Marketable securities are valued at market as determined by the latest bid price quoted by an independent national market maker. The resulting difference between cost and market is included in income. Securities transactions of the Company are recorded on a trade-date basis. Marketable securities at December 31, 2001 consisted of common stock and municipal bonds at a cost of \$424,488 and current market value \$121,268.

*Office Furniture and Equipment*

Depreciation is provided using the straight-line method over estimated useful lives of five years.

*Income Taxes*

The Company is taxed as an "S" Corporation. Accordingly, no provision is made for income taxes because these taxes are the responsibility of the individual shareholders.

*Cash Equivalents*

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**YANKEE FINANCIAL GROUP, INC.**  
**Notes to Financial Statements, Continued**

---

2. **Summary of Significant Accounting Policies (continued)**

*Estimates*

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. **Deposit with Clearing Organization**

The Company maintains a good faith deposits in accordance with a clearing agreement with U.S. Clearing Corporation. At December 31, 2001, these deposits were held in interest bearing cash accounts at U.S. Clearing. The clearing agreement also requires that the Company maintain a broker's blanket bond policy in the face amount of \$250,000.

4. **Shareholder Note Payable**

The shareholder note payable has no fixed maturity date and requires monthly interest payments at 12% on the outstanding balance. All interest payments for 2001 were waived by the noteholder.

The cash advance from shareholder does not bear interest and is payable on demand. In January 2002, \$20,000 of this cash advance was repaid.

5. **Subordinated Shareholder Note Payable**

The note is payable to the Company's President and principal shareholder. Interest is accrued at 12% per annum and is payable at maturity, together with principal, on January 1, 2003. The note is subordinated to the claims of the Company's general creditors and is considered part of capital for purposes of regulatory net capital requirements.

There were no cash payments for interest on this note in 2001.

**YANKEE FINANCIAL GROUP, INC.**  
**Notes to Financial Statements, Continued**

---

**6. Settlement with Former Officer**

In January 2002, the Company agreed to an out-of-court settlement with a former officer with respect to unpaid commissions totaling \$162,500. The settlement requires \$32,500 of this amount to be paid on May 1, 2002, and five annual payments each in the amount of \$26,000 through May 1, 2007. The total amount of the settlement has been charged to 2001 operations.

**7. Contingencies**

The Company is a defendant in an arbitration suit that was brought by a former client in January 2002 regarding an investment executed by the Company on behalf of the client. The suit alleges damages of up to \$20,000. The Company believes the suit is without merit and intends to vigorously defend its position. While this action is being contested, the outcome is not predictable with assurance. However, the Company does not believe that any liability resulting from this matter will have a material adverse effect on its net capital.

**8. Segregation Requirements**

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(B) because, as an introducing broker, it clears all transactions with and for customers on a fully disclosed basis with a clearing broker, and promptly transmits all customer funds and securities to the clearing broker.

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934

As of December 31, 2001

## **Statement Regarding SEC Rule 15c3-3**

**December 31, 2001**

---

The Company is exempt from the provision of Rule 15c3-3 of the Securities Exchange Act of 1934, as amended, in that the company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

**YANKEE FINANCIAL GROUP, INC.**  
**Schedule of Computation of Aggregate Indebtedness and Net Capital**  
**(Pursuant to Securities and Exchange Commission Rule 15c3-1)**  
**as of December 31, 2001**

**Computation of Aggregate Indebtedness:**

Liabilities included in aggregate indebtedness:

|  |            |
|--|------------|
| Commissions payable, accounts payable and accrued expenses | \$ 444,480 |
|--|------------|

**Computation of Net Capital:**

Credit items:

Net worth:

|              |            |
|--------------|------------|
| Common stock | \$ 133,444 |
|--------------|------------|

|                                  |         |
|----------------------------------|---------|
| Additional capital contributions | 608,228 |
|----------------------------------|---------|

|                     |           |
|---------------------|-----------|
| Accumulated deficit | (645,164) |
|---------------------|-----------|

|                                       |        |
|---------------------------------------|--------|
| Subordinated shareholder note payable | 30,236 |
|---------------------------------------|--------|

Debit items:

|              |         |
|--------------|---------|
| Other assets | (3,363) |
|--------------|---------|

|  |         |
|--|---------|
| Net capital before haircut on securities owned | 123,381 |
|--|---------|

Haircut on securities owned:

|                  |          |
|------------------|----------|
| Other securities | (18,288) |
|------------------|----------|

|                     |         |
|---------------------|---------|
| Undue concentration | (4,013) |
|---------------------|---------|

|             |            |
|-------------|------------|
| Net capital | \$ 101,080 |
|-------------|------------|

Capital Requirements:

|                      |          |
|----------------------|----------|
| Net capital required | \$ 5,000 |
|----------------------|----------|

|                                      |        |
|--------------------------------------|--------|
| Net capital in excess of requirement | 96,080 |
|--------------------------------------|--------|

|                      |            |
|----------------------|------------|
| Net capital as above | \$ 101,080 |
|----------------------|------------|

|  |          |
|--|----------|
| Ratio of aggregate indebtedness to net capital | 4.4 to 1 |
|--|----------|

**Reconciliation with Company's Computation (included in Part II of Form X-17A-5 as of December 31, 2001):**

|   |            |
|---|------------|
| Net capital as reported in company's Part II (unaudited) FOCUS report | \$ 283,090 |
|---|------------|

|  |           |
|--|-----------|
| Accrued settlement with former shareholder | (162,500) |
|--|-----------|

|   |          |
|---|----------|
| Net audit adjustments to accrued expenses and commissions | (17,677) |
|---|----------|

|  |         |
|--|---------|
| Haircut on securities owned - undue concentrations | (1,833) |
|--|---------|

|                       |            |
|-----------------------|------------|
| Net capital per above | \$ 101,080 |
|-----------------------|------------|

To the Directors and Shareholders  
of Yankee Financial Group, Inc.:

In planning and performing our audit of the financial statements of Yankee Financial Group, Inc. for the year ended December 31, 2001, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Yankee Financial Group, Inc. that we considered relevant to objectives stated in rule 17a-5(g)(1), (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review procedures in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or any practices and procedures followed by the Company in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, or in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3, because the Company does not maintain customer accounts or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives.

Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of

them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

The size of the business and resultant limited number of employees imposes practical limitations on the effectiveness of those internal accounting control procedures that depend on segregation of duties. Since this condition is inherent in the size of the Company, the specific weaknesses are not described herein and no corrective action has been taken or proposed by the Company. This condition was considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the 2001 financial statements and this report does not affect our report on these financial statements.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934, as amended, and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities of 1934, as amended, in their regulation of registered brokers and dealers, and should not be used for any other purpose.

*Arthur H. Hulse, Partner & Company, LLC*

March 25, 2002



**YANKEE FINANCIAL GROUP, INC.**

---

Financial Statements and Supporting Schedule  
Pursuant to Rule 17a-5 of the  
Securities and Exchange Commission

for the year ended December 31, 2001